

Strengthening Social Security For Rural America

Today's Presidential Action:

Today, The President Visited Hopkinsville, Kentucky, Where He Discussed The Importance Of Social Security Reform For Rural America. President Bush stressed the need to reform Social Security to ensure its fundamental promise is kept and no American who works a full lifetime retires into poverty.

Background: Strengthening The Social Security Safety Net For Rural America

Low-Wage Rural Workers And Farmers Need Social Security Reform That Offers Higher Rates Of Return, Ownership, And Inheritability.

- **Social Security Reform Should Protect Farmers.** Many farmers are self-employed small-business owners who are responsible for both the employer and employee portions of the 12.4 percent payroll tax. Increasing the payroll tax rate in a misguided effort to fix the Social Security system would hit them the hardest.
- **Farmers Will Benefit From The Inheritability Of Voluntary Personal Retirement Accounts.** Because many farms are family owned and operated, voluntary personal retirement accounts will be of special benefit to farmers and their families. Unlike current Social Security benefits, voluntary personal retirement accounts within the Social Security system are inheritable. So if someone passes away with money left in a personal account, that money can go to that individual's spouse or children, which will help keep the farm running and keep control within the family.

The President's Proposal Will Protect Future Generations Who Depend On Social Security The Most And Will Provide Higher Benefits Than The Current System Can Afford To Pay.

- **Tomorrow's Seniors Will Get More Than Today's Seniors Receive.** Under the President's Social Security proposal, future benefits will continue to grow. The benefits of low- and middle-income retirees will grow faster than inflation while the benefits of the highest-income retirees will grow no faster than the rate of inflation.
- **Doing Nothing Means Lower Benefits For Low-Income Workers.** By adopting progressive indexing and allowing young workers to create voluntary personal retirement accounts within the Social Security system, the President's plan provides younger workers with real money instead of the current system's empty promises. Without Social Security reform, benefits for younger workers will have to be cut 30 percent across-the-board.
- **Progressive Indexing Offers Greater Benefits To Those Most In Need.** A progressive indexing approach, such as Robert Pozen's, would give a low-income 20-year-old who retires in 2050 annual benefits of \$12,900, or \$3,500 more than the current system can pay. A middle-income 20-year-old would get \$17,300 under Pozen's approach, or \$1,800 more than the current system can pay. These figures exclude income from voluntary personal retirement accounts. Expected benefits for account holders would be even higher.
- **Voluntary Personal Retirement Accounts Offer Low-Wage Americans Higher Rates Of Return.** With a voluntary personal retirement account, a 21-year old single mom earning eight dollars an hour over her lifetime could build a nest egg of more than \$100,000 when she retires. This is in addition to the traditional Social Security benefit she will receive. Besides a no-risk option of investing in U.S. Treasury bonds, the accounts could be invested only in secure bond and stock-index funds, including a life-cycle fund designed to protect workers from sudden market changes on the eve of their retirement.
- **Progressive Indexing Would Put Social Security On The Path To Fiscal Balance.** By adjusting how benefits are calculated, progressive indexing would eliminate nearly 70 percent of Social Security's shortfalls.